

United States Government Stewardship Information (Unaudited) for the Years Ended September 30, 2006, and September 30, 2005

Stewardship Investments

Stewardship investments focus on Government programs aimed at providing long-term benefits by improving the Nation's productivity and enhancing economic growth. These investments can be provided through direct Federal spending or grants to State and local governments for certain education and training programs, research and development, and federally financed but not federally-owned property, such as bridges and roads. When incurred, these investments are included as expenses in determining the net cost of operations. Stewardship investments for the current year and for the immediately preceding 4 years are shown below in Table 11. The amounts reported in fiscal year 2006 for investments in prior years (fiscal years 2005-2002) are restated due to agencies continuously reviewing, correcting, and updating this data.

Table 11
Stewardship Investments
for the Years Ended September 30

(In billions of dollars)	Fiscal Year 2006	Restated Fiscal Year 2005	Restated Fiscal Year 2004	Restated Fiscal Year 2003	Restated Fiscal Year 2002
Investments in non-federal physical property	52.3	49.7	49.4	48.1	48.2
Investments in human capital	107.8	88.0	76.9	71.1	61.5
Research and development:					
Investments in basic research.....	26.2	25.4	23.9	22.3	20.5
Investments in applied research.....	20.7	21.1	20.8	19.2	18.1
Investments in development	80.5	66.6	61.1	50.1	45.6
Total investments	<u>287.5</u>	<u>250.8</u>	<u>232.1</u>	<u>210.8</u>	<u>193.9</u>

Non-Federal Physical Property

The Government makes grants and provides funds for the purchase, construction, and/or major renovation of State and local government physical properties. Cost for non-federal physical property programs are included as expenses in the Statements of Net Cost and are reported as investments in Table 11. They are measured on the same accrual basis of accounting used in the *Financial Report* statements.

DOT, HUD, and the Environmental Protection Agency (EPA) had \$43.5 billion (83 percent), \$3.6 billion (7 percent), and \$3.1 billion (6 percent), respectively, of the total non-federal physical property investments in fiscal

year 2006 as shown in Table 11. These same agencies also had similar investment amounts (and percentage contributions) in each of the preceding 4 years.

Within DOT, the Federal Highway Administration invested \$39.7 billion during fiscal year 2006, primarily via reimbursement from the Highway Trust Fund, of states' construction costs related to interstate and national highways. The States' contribution is 10 percent for the Interstate System and 20 percent for most other programs. These highway programs have not typically resulted in significant transfers of property to State or local governments.

The significant programs administered by HUD relate to grants for property renovation and public housing programs. The significant programs administered by the EPA relate to grants for wastewater and related water-quality programs. Neither of these programs typically transfers property to State or local governments.

Human Capital

The Government runs several programs that invest in human capital. Those investments go toward increasing and maintaining a healthy economy by educating and training the general public. Costs do not include training expenses for Federal workers.

Education, DOL, and VA had \$93.1 billion (86 percent), \$6.0 billion (6 percent), and \$3.6 billion (3 percent), respectively, of the total human capital investments in fiscal year 2006 as shown in Table 11. These same agencies also had similar investment amounts (and percentage contributions) in each of the preceding 4 years.

Education administers a wide variety of programs related to general public education and training programs that are intended to increase or maintain national economic productive capacity. Within Education, approximately 47 percent of the annual investments relate to Federal student aid, either in the form of direct or guaranteed loans or grants to eligible undergraduate and graduate students. The remaining investments primarily relate to grants for Elementary, Secondary, and Special Education programs as well as for various departmental initiatives (e.g., charter schools, foreign language assistance, etc.).

The significant human capital programs administered by DOL relate to grants for job training and employment programs. The significant human capital programs administered by VA also relate to grants for job training and rehabilitation programs for veterans.

Research and Development

Federal investments in research and development (R&D) comprise those expenses for basic research, applied research, and development that are intended to increase or maintain national economic productive capacity or yield other future benefits.

- Investments in basic research are for systematic studies to gain knowledge or understanding of the fundamental aspects of phenomena and of observable facts without specific applications toward processes or products in mind.
- Investments in applied research are for systematic studies to gain knowledge or understanding necessary for determining the means by which a recognized and specific need may be met.
- Investments in development are the systematic use of the knowledge and understanding gained from research for the production of useful materials, devices, systems, or methods, including the design and development of prototypes and processes.

With regard to basic and applied research, HHS had \$15.7 billion (60 percent) and \$10.9 billion (52 percent), of the total basic and applied research investments, respectively, in fiscal year 2006 as shown in Table 11. HHS also had similar R&D investment amounts (and percentage contributions) in each of the preceding 4 years.

Within HHS, the National Institutes of Health (NIH) conducts almost all of the department's basic and applied research. NIH conducts many types of basic and applied medical research, including basic and disease-related research, observational, population-based, behavioral and clinical research; and health services research.

With regard to development, DOD had \$56.7 billion (70 percent) of total development investments in fiscal year 2006 as shown in Table 11. DOD development focuses on advanced technology, weapons demonstrations, and engineering, manufacturing and operational systems development. This development is aimed to improve all aspects of war-fighting, including ground, air and space, tactical, and strategic weaponry.